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SUBJECT: LESOTHO JUNE 2008 ECONOMIC ROUNDUP: PUBLIC ACCOUNT PROBLEMS,
JAPANESE AID

¶1. In this edition:

-- Auditor General Criticizes Lesotho's Public Finances
-- Government, with MCC Backing, Promotes Competitiveness
-- Japan Gives Lesotho Almost \$2 Million for "Structural
Adjustments"

Auditor General Criticizes Lesotho's Public Finances

¶2. Lesotho's Auditor General released an audit of the nation's 2003/2004 public accounts which showed glaring weaknesses in the government's financial management systems. The Auditor General stated that the country's public accounts suffer from serious errors and omissions which lead to misrepresentation of the government's financial position. The errors include expenditure misappropriation, a lack of ledger accounts reconciliations, a lack of ministerial expenditure and revenue reports reconciliations, unauthorized excess expenditures, and nondisclosure of some capital projects. According to the Auditor General, the government not only must confront a weak financial system but also the extended delays in releasing public financial information.

Government, with MCC Backing, Promotes Competitiveness

¶3. The Ministries of Finance and Trade, in cooperation with the Lesotho National Development Corporation (LNDC), organized a one-day workshop at which experts from Brenthurst Foundation addressed private sector competitiveness issues. Lesotho's government, supported by the World Bank and the Millennium Challenge Corporation (MCC), has embarked on several initiatives designed to enhance competitiveness in the business sector. The Deputy Prime Minister (DPM), Mr. Lesao Leholha, explained that Lesotho and South Africa plan to create a one-stop border crossing to eliminate the current dual processing of customs and immigration traffic on both sides of the border. Additionally, he added that the government recently opened a business skills training center to improve the international competitiveness of Lesotho's textile industry.

Japan Gives Lesotho Almost \$2 Million for "Structural
Adjustments"

¶4. Japan has granted Lesotho over M14 million (approximately \$1.85 million) to purchase machinery designed to aid the nation's "structural adjustments." Lesotho economic structural adjustments are implemented under an agreement between the World Bank and the International Monetary Fund, in line with agreements concluded at the fourth Tokyo International

Conference on African Development. This agreement reflects Japan's implementation of its commitment to double its official development assistance to Africa by 2012. The Japanese Embassy in Pretoria stated in a press release that the Japanese Government donated the money under its Non-Project Grant Aid (NPGA) program, and products to be purchased include agricultural machinery.

NOLAN